● (1740)

The percentage of loans to young farmers, since the Farm Credit Corporation was established in 1959, has been steadily increasing. For instance, during fiscal year 1962/63, about 30 per cent of those loans went to farmers under 35. During fiscal year 1970/71, approximately 35 per cent of those loans went to people in the same age bracket. In December 1974, the percentage was almost 53 per cent. Nevertheless more qualified youth had to be urged to become involved in that business. Such is obviously the aim of Bill C-34, an Act to amend the National Housing Act, which was read for the first time in the House on November 1, 1974.

Concerning the incentive measures provided under Notice of Motion No. 12 with respect to young farmers, it should be noted that under the Farm Credit Act and regulations, the payment of interest and principal on loans under that act can already be deferred. Apart from those formal provisions, the Farm Credit Corporation is allowed to differ the payments of any borrower and does so when it is in the best interests of the borrower, in order to help him manage or improve his farm.

The minister has been frequently advised to authorize the granting of mortgages "of indefinite amount" to enable farmers to borrow additional funds at no additional cost. Unfortunately, mortgages are governed by provincial jurisdiction only, and no provincial legislation mentions any mortgage "of indefinite amount" whatsoever. As a consequence, any mortgage lender who wants to have a real estate security for his loan has to search title deeds every time he loans funds against the security of such real estate to determine whether there has been no other charge on the property since the original mortgage was registered.

Under the present Farm Credit Act, the corporation may only make loans upon the security of a first mortgage on farm loan, or on farm loans and chattels. Consequently, a person who borrows from the corporation and who wants to get additional funds must refinance his original loan and agree to have a new mortgage for the total amount of the original loan which has not been refunded and on the new funds he is borrowing.

The aim of one of the provisions of Bill C-34 is to authorize the Farm Credit Corporation to secure its loans with mortgages other than the first one. Farmers who already have a loan secured by a first mortgage on their land on good terms will be able to keep this first mortgage, while giving the security required for the loan from the corporation with a second mortgage or other. The borrower would then pay for the fees of the judicial representative for the new funds only. The other costs attributable to the loan would also be less important.

The interest rate to pay is a very important factor, which is to be taken into account each time young people borrow money to become farmers. However, in recent years, the capacity to get sufficient loans on terms which meet the needs of the new farmers has been a more important factor still. The problem was especially acute because of rapidly increasing farm prices and overall investment needed to establish a worthwhile farming operation. There is also another major problem facing young people, that of finding money for the down payment on a farm. The proposed amendments to Bill C-34 will increase the total amount available to qualifying young people interested in a career in farming. The maximum amount will reach $150,000. Further, amendments will allow them to borrow an increased proportion of the total cost of assets required to operate a farm.

Under the act as it now stands, loans totalling more than 75 per cent of the producing value of land and chattels may be granted in the only case where, in the corporation's opinion, there is assurance that the farm will be operated with a superior degree of efficiency. The amount of the loan may then reach 90 per cent of the productive value. Amendments proposed in Bill C-34 will allow young farmers to be loaned up to 90 per cent of the producing value of lands and chattels, provided the applicant has sufficient experience and capability to convince the corporation he can successfully operate the farm.

Due to the rapid increase in farm land prices over the last few years, the productive value established by the appraisal of farm land as provided by the act has on numerous occasions, and for various reasons, been considerably less that the purchase price. For instance, the value of lands is often inflated by city dwellers trying to buy farm lands, or well-established farmers wishing to expand their operation, at prices higher than starting farmers can afford. Often, young farmers could repay loans exceeding the 90 per cent limit of producing value of assets, as now provided, by reason of their capability and experience, and often also because of other reasons, as their parents' help or outside revenues. The amendments proposed in bill C-34 will give the corporation authority to make loans exceeding 90 per cent of the producing value of lands and chattels. Qualified young people will thus have a much better opportunity to compete for land against established farmers.

The continuous increase in land and real estate prices has caused higher costs for establishing a profitable farming business. A ceiling of $100,000 may be sufficient to meet credit needs and it may allow established farmers who have substantial assets to develop their business. However, young farmers with limited resources may need more credit to develop a sufficiently large farm. This is why it is proposed to increase to $150,000 the maximum amount of loans for farmers under 35.

Even though at first glance low interest rates and conditional grants seem to offer an attractive and interesting solution for young farmers, when land prices are subjected to strong upward pressures, it seems that such concessions could prove ineffective to help young people to develop a solid business. In practice, conditional grants and subsidized interest rates are very often reflected in land prices, which means that land prices are inflated to such a point that the stiffer cost annuls the benefits provided by the concessions.

Another amendment will allow young people to establish themselves gradually on a farm. This provision will be very helpful and could have much more tangible effects than the concessions concerning reimbursement or interest rates. Loans can now be granted only to those whose main business is or will be farming when the loan is granted. However, it is very difficult to go into farming in one stage. Many young people realize that it is impossible